



DEFENSE LOGISTICS AGENCY
DLA AVIATION PHILADELPHIA
700 ROBBINS AVENUE
PHILADELPHIA, PENNSYLVANIA 19111-5098

Class Justification and Approval (J&A) for Other than Full and Open Competition, 10 U.S.C. 2304(c)(1), Solicitation SPRPA1-13-R-003U

1. Contracting Activity: This Class J&A supports requirements generated by the Air Force, Army, Navy, the Defense Logistics Agency, and Foreign Military Sales as specified in the Performance Work Statement. The contracting activity for this requirement is DLA Aviation, Strategic Acquisition at Philadelphia, Pennsylvania.
2. Description of the Action Being Approved: This Justification and Approval is for the negotiation and award of contract actions on a sole-source basis for performance based supply chain management support of aircraft and systems manufactured by The Boeing Company including the AV-8B, C-17, CH-47, F/A-18, F-15, KC-135, B-52, B-1, E-3, AGM-84 and AGM-86 programs. As explained in more detail herein, the support includes wholesale supply and logistics support, inventory management, maintenance planning, configuration management and sustaining engineering associated with these end items. The acquisition will be conducted using other than full and open competition as prescribed in FAR 6.302-1, "Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements." This action will result in the award of a contract which is anticipated to be a ten (10) year Requirements Type Contract consisting of a five (5) year base period and one five (5) year option period. In accordance with FAR Part 10, additional market research will be conducted prior to the exercise of the five year option. In no event will the total contract period exceed the ten-year period authorized by 10 U.S.C. 2304a(f), unless appropriate approval is obtained. This sole source requirement will be negotiated with the following company:

The Boeing Company – 6200 J.S. McDonnell Blvd, P.O. Box 516, St. Louis, MO 63166-0516 (Henceforth referred to as "Boeing"). The following Boeing Contractor and Government Entity (CAGE) Codes are covered by this acquisition: 32562, 022T1, 1GTA0, 18355, 4PF93, 48D66, 17765, 48T42, 0APX0, 0PXV4, 38YR6, 94756, 18441, 48BM4, 48LF5, 43999, 81205, 82918, 8V613, 76301 and 77272. Boeing is a large business.

The length of the base period and term of the contract is considered optimal for the following reasons: first, it affords the contractor sufficient time to recoup initial investments associated with facilities, parts, obsolescence issues and reliability management, and affords the contractor opportunities to enter into long term commitments with subcontractors (including organic depots) in order to provide

Source Selection Information – See FAR 2.101 & 3.104

sustained efficiencies/economies of scale to the military service user. It also enables the contractor to have the ability to implement logistical and technical changes required to realize reliability improvements while eliminating duplicative contract and program administration costs for like and similar items, as well as allowing Boeing the opportunity to leverage investments in support processes across similar items, thereby saving additional costs. This support strategy unifies support for components across weapon systems and Service boundaries, defining performance objectives that must be delivered by Boeing.

This contract will replace long term contracts SP0400-02-D-9407 and SPM400-03-D-9408 with Boeing. Items currently procured under Basic Ordering Agreement (BOA) SPM4A1-09-G-0004 will also be ordered under this contract.

The estimated award date of this contract is FY2014 and the estimated value is (b) (5) based on the ten year duration.

The contract will be funded by the Defense Working Capital fund. The contract type for the ten (10) year period will be fixed price in nature. As requirements fully develop, various contract types will be considered for each phase as applicable, including Firm Fixed Price, Firm Fixed Price Incentive, and Fixed Price Re-determinable. It is anticipated that these contract types will be represented under one umbrella contract for all requirements.

3. Description of Supplies/Services required to meet the Agency's Need (10 U.S.C. 2304(f)(3)(A)): This Class Justification and Approval covers a comprehensive and holistic performance based supply chain management program to support Boeing aviation platforms. Key components of this program include higher material availability, reduced production lead-time, quality improvements and cost savings for over 56,000 components. The contract will contain four distinct categories of support in order to offer the optimal solution for varying levels of the requirement. The first area of support is Performance Based and provides support of consumable material representing the highest recurring demand. In order to reduce cost of transactional processing, Boeing will be required to forecast, invest and stock material to fill DoD and FMS customer requisitions for approximately 4,600 NSNs representing approximately 80% of demand and 70% of annual consumable spending. Performance based support will consist of logistics management, which includes wholesale supply support, depot-level consumable support, material management, engineering support and sustainment elements, packaging, storage, transportation, reliability improvements, and field engineering support. The second area of support is Stock Support and includes coverage for approximately 1,800 consumable and repairable parts. These parts also have recurring requirements, but are more effectively supported via a more traditional relationship where the government provides forecasting, ownership, and storage. The third area of support is Transactional Support of the remainder of the 56,000 sole source Boeing parts. A streamlined pricing strategy will be devised to ensure rapid pricing and order placement for these unforecasted, low

volume requirement. The fourth component of this contract, Depot Support, requires Boeing to meet supply chain performance based metrics for material availability by filling material requirements for the repair of repairables and aircraft depot maintenance in Government repair depots in support of Boeing aviation platforms. Boeing will be required to fill all material requirements emanating from individual component repair bill of materials (RBOMs) at DoD repair depots for Boeing aviation platforms. In addition to filling the RBOM requirements Boeing is expected to reduce overall component Repair Turn Around Time (RTAT), improve component reliability, improve maintenance planning and make recommendations for Engineering Change Proposals (ECPs). This support strategy is intended to lower inventory investment costs, improve material availability, and eliminate unproductive processes and administrative bureaucracy. Boeing will create a synchronized supply chain for its product lines focused on aggregating material requirements across repairables and consumables for wholesale/retail inventory, field and depot level maintenance, and where possible, aligning with production.

4. Statutory Authority for Other than Full and Open Competition (10 U.S.C. 2304(f)(3)(B)): Use of Other than Full and Open Competition is authorized by 10 U.S.C. 2304(c)(1) and FAR 6.302-1(a)(2), as there is only one responsible source and no other supplies or services will satisfy agency requirements. The acquisition is restricted to the prime aircraft manufacturer and only source of supply known to have the capability of furnishing the required logistics support - Boeing.
5. Demonstration of the Contractor's Unique Qualifications or Rationale for use of the Cited Statutory Authority: This Class J&A covers performance based support and related efforts for Boeing aviation systems. Only Boeing can provide the necessary expertise, capacity, capability and proficiency to perform this effort. Boeing is the only company which possesses the requisite engineering expertise, configuration management, tooling, and management knowledge to ensure that items conform to the proper form, fit and function, thus keeping complex weapon systems reliable and safe. Boeing is the only source that possesses the full range of technical data (some of which is proprietary) required to manufacture the items that are covered by this J&A. Boeing is the only contractor that can leverage the production capability and in-depth knowledge of the vendor base capable of supporting these various weapon systems at the required level of support. For the sole source material provided for direct aviation platform support, it has been determined the Government does not have a complete, unrestricted data package. Additionally, Boeing has established internal production processes and qualified various industrial support contractors as suppliers. With regards to the material support for the repair of aviation components at DoD repair depots, Boeing's overall systems engineering knowledge and technical expertise in the various aviation's platforms systems integration make it singularly capable of performing the full scope of the depot support requirement. No contractor other than Boeing, the sole manufacturer and integrator of the various platforms to be supported, has the capability to perform all the requirements of the comprehensive performance based supply chain management

program. The key overarching objective of the contract is to maximize the availability/use of the various weapons systems by providing timely material support through initiatives such as: incentivizing reliability improvements; streamlining supply chain management and improving maintenance processes and procedures. In order to meet this overarching objective, the provider must have the ability to drive changes into the weapons system configuration and, more importantly, understand, analyze, and assess the implications—both in terms of weapons system performance and operational usage—of any potential configuration change. To do so, this effort will require engineering and logistics support personnel with a robust ability to reach back to the original equipment manufacturer (OEM)—Boeing—to support engineering investigations, fault detection and isolation, repair development, modification development, supportability analysis, and the associated technical documentation development and support. Boeing is the only source that has the engineering and systems integration expertise to assess how reliability modifications to individual systems or process changes could affect overall aircraft performance or operational usage of the aircraft. Only Boeing has personnel with the requisite breadth and depth of experience and understanding of, the totality of technical data necessary to fulfill this requirement and ensure the currency, accuracy, and completeness of the technical data and associated databases. Finally, once modifications or process changes are made by the Government, only Boeing has the existing infrastructure to ensure timely execution of such changes, including the ability to efficiently execute changes simultaneously into production and fielded aircraft.

Furthermore, by having only one contractor responsible for the bulk of supply chain management, the Government has a single focal point with management accountability and contractual responsibility. No other source has the long-standing business relationships with the supplier base that Boeing has developed relative to this requirement. No other source can leverage this supplier base as well as Boeing can to assure the continued effective, reliable, and safe sustainment of the supply chain. Any other contractor would introduce an unacceptable degree of risk into the supply chain effort and, ultimately, into the Boeing aircraft, missiles and systems.

In sum, no contractor other than Boeing has the requisite data and detailed systems engineering and integration knowledge to execute the highly integrated and complex performance based supply chain management support requirements successfully as detailed herein.

6. Market Research/Efforts to Obtain Competition (10 U.S.C. 2304(f)(3)(D)&(E)): This requirement will be synopsized in the Federal Business Opportunities (FedBizOpps) web page as required by FAR 5.201. Future interest from additional sources is not anticipated at this time as market research and other industry notification did not result in interested parties. DLA Aviation issued a Potential Sources Sought advertisement on July 17, 2013 which resulted in two responses, one from The Boeing Company. DLA used evaluation criteria to determine if competition was possible which included possessing a technical

data package and having manufacturing capability. The responses are summarized as follows:

1. The Boeing Company provided a package in response to the Potential Sources Sought notice which outlined their experience as an industry leader in Performance Based Logistics (PBL) support (b) (4)
(b) (4) consistent with DLA's goal to provide performance based support to military customers at a reduced cost. As the only respondent, Boeing was able to demonstrate the capability to provide the requisite level of supply chain management expertise. Boeing, the OBM and incumbent production contractor, has demonstrated the capability to provide the requisite systems-level integration for all platforms within the necessary timeframe.
2. ISO Group, Inc. provided a response (b) (4)
(b) (4) ISO does not possess or have access to the full spectrum of technical and system integration information required to successfully perform the requirements of this acquisition.

As a result of this market research, no other interested parties were identified.

7. Price/Cost Considerations (10 U.S.C. 2304(f)(3)(C)): The Contracting Officer has determined the anticipated cost to the Government of the supplies/services covered by this CJ&A will be fair and reasonable. The Government is expecting the contractor to propose prices for the five year base of the contract period of performance with the option period to be unpriced. Actual cost data accrued under the base period will be used to ensure that the option prices are fair and reasonable. Certified cost and pricing data will be obtained and used to negotiate prices for both the base and option periods. A fully compliant audit will be performed and DCMA/DCAA assistance will be requested as necessary. Detailed documentation and justification of price reasonableness will be disclosed in the official price negotiation memorandum, as required, to be prepared upon completion of negotiations. Bringing all Boeing aviation requirements together increases the DLA's leverage with the contractor. DLA believes this leverage will result in significant savings over existing disparate support strategies which a business case analysis will support.

The ten year term of this contract (5 year base plus one 5 year option) will incentivize continued investments in reliability improvements, obsolescence management, process improvements and more efficient depot operations over the contract period by Boeing. Inherent in the ten year contract structure is an incentive to continue to improve reliability and drive down cost. This contract will be negotiated assuming decreased costs associated with improved reliability and availability through the potential ten year performance

period of the contract. On the basis of the foregoing, the Contracting Officer hereby determines that the anticipated cost to the Government will be fair and reasonable.

8. Actions Being Taken to Overcome Barriers to Future Competition (10 U.S.C. 2304(f)(3)(F)): Due to the complex nature of this work, there is no opportunity at this time to remove barriers to competition at the prime contractor level. However, the Government intends to include FAR 52.219-16, Liquidated Damages- Small Business Subcontracting Plan and FAR 52.219-10, Incentive Subcontracting Program in the contract and work in close coordination with both the DLA Small Business Office and Boeing to select subcontractors on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract and sound business case analyses. Additionally, Boeing will be required to obtain common consumables required for this effort from the Defense Logistics Agency and all applicable competitive processes will continue to be utilized for acquisition of common consumables. The Contracting Officer will continue to synopsise items that may be added to this contract in order to investigate the possibility of competition. The Competition Advocate will review the requirements to verify that all requirements are sole source. As stated above, Boeing is the only known source with the capability of furnishing the required logistics support.

Future requirements will nevertheless be advertised in the FedBizOpps website (www.fedbizopps.gov) in order to ensure that potential alternate sources are aware of the requirement and can identify interest in support for these items.

ATTACHMENTS:

1. Listing of Sole Source NSNs

J&A for Solicitation SPRPA1-13-R-003U

COORDINATION AND APPROVAL
FOR OTHER THAN FULL AND OPEN COMPETITION
DLA CONTRACTING ACTIVITY, DLA AVIATION

PURCHASE REQUEST NUMBER/SOLICITATION NUMBER: SPRPA1-13-R-003U

PROGRAM COST ESTIMATE: (b) (5)

AUTHORITY: 10 U.S.C. 2304(c) (1), as implemented by FAR 6.302-1(a)(2)

TYPE of J&A: Class

I hereby certify that the information contained in this justification is accurate and complete to the best of my knowledge.

(b) (6)
9/11/13
DATE DAVID GIOIA
Contracting Officer

This justification has been reviewed and is recommended for approval.

(b) (6)
9/11/13
DATE EDWARD MORLOCK
Strategic Division Chief

(b) (6)
9/12/13
DATE CLAUDETTE PARROTT (Local Competition Advocate)
Competition Advocate

(b) (6)
9/12/13
DATE TAMELA KOZIOR
Chief of the Contracting Office

J&A for Solicitation SPRPA1-13-R-003U

I have reviewed this justification for legal sufficiency:

TRACY, DONAL (b) (6)
D.S. (b) (6)

DATE

BENJAMIN G. PERKINS
DLA Counsel-Aviation

I have reviewed and hereby recommend that this justification be approved.

LILLI, CHARLES, MIC (b) (6)
HAEL (b) (6)

DATE

CHARLES LILLI
Head of the Contracting Activity

I have reviewed this justification.

STEVENSON, SAMUEL T (b) (6)
HOMSON (b) (6)

DATE

SAMUEL T. STEVENSON
DLA Associate General Counsel

I have reviewed and hereby recommend that this justification be approved.

24 Sep 2013
DATE

(b) (6)

MATTHEW R. BEEBE
DLA Competition Advocate

I hereby approve this justification.

9/25/13
DATE

(b) (6)

NANCY M. HEIMBAUGH
Senior Procurement Executive